

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 226
Meade, Kansas

We have audited the accompanying financial statements of Unified School District No. 226, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Unified School District No. 226 has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 226 as of June 30, 2011, or the changes in its financial position for the year then ended. Further, Unified School District No. 226 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 226, as of June 30, 2011, its cash receipts and expenditures, and budgetary results, for the year then ended, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

December 29, 2011

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH BALANCE**

Year ended June 30, 2011

Fund	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts
General funds:			
General	\$ -	\$ -	\$ 3,346,271
Supplemental general	206,379	1,205	1,065,770
Special revenue funds:			
At risk (4 year old)	15,000	-	39,380
At risk (K-12)	50,000	-	320,822
Bilingual	20,000	-	39,070
Capital outlay	245,334	-	283,474
Driver training	8,000	-	10,127
Food service	40,000	-	289,474
Professional development	10,000	-	20,262
Special education	190,129	-	498,177
Vocational education	50,000	-	101,452
KPERs special retirement contribution	-	-	184,774
Recreation commission	56,409	-	56,499
Contingency reserve	351,000	-	97,029
Textbook and student materials revolving	1,159	-	21,500
REAP	-	-	40,061
Title I	-	-	62,949
Title IIA	-	-	15,006
Title IID	-	-	213
Title I - ARRA	-	-	16,500
District activity funds	28,102	-	92,433
Roy and Laura Whitehead scholarship	2,150,307	-	36,876
Debt service fund:			
Bond and interest	421,944	-	369,573
Total primary government - excluding agency funds	<u>3,843,763</u>	<u>1,205</u>	<u>7,007,692</u>
Component unit:			
Meade District Recreation Commission:			
General	<u>175,018</u>	<u>-</u>	<u>62,236</u>
Total component unit	<u>175,018</u>	<u>-</u>	<u>62,236</u>
Total reporting entity (excluding agency funds)	<u>\$ 4,018,781</u>	<u>\$ 1,205</u>	<u>\$ 7,069,928</u>

The accompanying notes are an integral part of the financial statements.

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
\$ 3,400,387	\$ (54,116)	\$ -	\$ (54,116)
1,122,572	150,782	13,579	164,361
24,380	30,000	-	30,000
270,822	100,000	-	100,000
21,570	37,500	-	37,500
332,075	196,733	-	196,733
6,127	12,000	-	12,000
289,474	40,000	-	40,000
8,262	22,000	-	22,000
498,306	190,000	131	190,131
66,452	85,000	452	85,452
184,774	-	-	-
60,000	52,908	-	52,908
108,029	340,000	-	340,000
20,018	2,641	1,792	4,433
40,061	-	-	-
62,949	-	-	-
15,006	-	-	-
213	-	-	-
16,500	-	-	-
94,904	25,631	-	25,631
39,639	2,147,544	-	2,147,544
<u>362,287</u>	<u>429,230</u>	<u>-</u>	<u>429,230</u>
<u>7,044,807</u>	<u>3,807,853</u>	<u>15,954</u>	<u>3,823,807</u>
 <u>59,866</u>	 <u>177,388</u>	 <u>511</u>	 <u>177,899</u>
<u>59,866</u>	<u>177,388</u>	<u>511</u>	<u>177,899</u>
<u><u>\$ 7,104,673</u></u>	<u><u>\$ 3,985,241</u></u>	<u><u>\$ 16,465</u></u>	<u><u>\$ 4,001,706</u></u>

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH BALANCE (CONTINUED)**

Year ended June 30, 2011

Composition of cash balance:

Activity funds - cash on hand	\$ 80
Petty cash	1,500
Money market checking	649,132
Activity funds - money market	13,225
Activity funds - checking	34,823
Activity funds - savings	463
Certificates of deposit	1,000,000
Scholarship fund checking	21,909
Scholarship fund certificate of deposit	<u>2,125,635</u>
 Total primary government	 3,846,767
 Agency funds	 <u>(22,960)</u>
 Total primary government - excluding agency funds	 3,823,807
 Total component unit	 <u>177,899</u>
 Total reporting entity (excluding agency funds)	 <u><u>\$ 4,001,706</u></u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2011

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 3,545,806	\$ (145,419)	\$ 3,400,387	\$ 3,400,387	\$ -
Supplemental general	1,139,574	-	1,139,574	1,122,572	17,002
Special revenue funds:					
At risk (4 year old)	25,808	-	25,808	24,380	1,428
At risk (K-12)	305,098	-	305,098	270,822	34,276
Bilingual	32,500	-	32,500	21,570	10,930
Capital outlay	507,220	-	507,220	332,075	175,145
Driver training	9,900	-	9,900	6,127	3,773
Food service	335,718	-	335,718	289,474	46,244
Professional development	17,000	-	17,000	8,262	8,738
Special education	641,234	-	641,234	498,306	142,928
Vocational education	85,000	-	85,000	66,452	18,548
KPERS special retirement contribution	246,115	-	246,115	184,774	61,341
Recreation commission	60,000	-	60,000	60,000	-
Bond and interest	364,758	-	364,758	362,287	2,471
	<u>7,315,731</u>	<u>(145,419)</u>	<u>7,170,312</u>	<u>6,647,488</u>	<u>522,824</u>
Component unit:					
Meade District Recreation Commission:					
General	<u>87,350</u>	<u>-</u>	<u>87,350</u>	<u>59,866</u>	<u>27,484</u>
	<u>87,350</u>	<u>-</u>	<u>87,350</u>	<u>59,866</u>	<u>27,484</u>
	<u>\$ 7,403,081</u>	<u>\$ (145,419)</u>	<u>\$ 7,257,662</u>	<u>\$ 6,707,354</u>	<u>\$ 550,308</u>

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ (1,151)	\$ 12,069	\$ 10,511	\$ 1,558
Current tax	1,268,992	1,041,433	957,433	84,000
Delinquent tax	2,907	4,264	6,465	(2,201)
Federal aid:				
ARRA stalbalization funds	170,445	64,156	64,156	-
Education Jobs funds	-	112,336	-	112,336
State aid:				
Equalization aid	1,746,355	1,752,209	2,153,860	(401,651)
Special education aid	315,996	335,361	353,381	(18,020)
Mineral production tax	3,527	24,443	-	24,443
Total cash receipts	3,507,071	3,346,271	\$ 3,545,806	\$ (199,535)
Expenditures and transfers subject to legal maximum budget:				
Instruction	1,835,739	1,845,815	\$ 1,870,922	\$ 25,107
Student support services	71,391	64,372	66,872	2,500
Instructional support staff	112,060	121,224	127,537	6,313
General administration	216,266	203,781	266,615	62,834
School administration	118,458	128,002	139,951	11,949
Operations and maintenance	4,901	1,723	7,000	5,277
Student transportation services	188,029	182,606	232,468	49,862
Other supplemental services	113,416	114,455	118,795	4,340
Transfers to other funds	851,845	738,409	715,646	(22,763)
Adjustment to comply with legal maximum budget	-	-	(145,419)	(145,419)
Total expenditures and transfers subject to legal maximum budget	3,512,105	3,400,387	\$ 3,400,387	\$ -
Receipts over (under) expenditures	(5,034)	(54,116)		
Unencumbered cash, beginning of year	5,034	-		
Unencumbered cash (deficit), end of year	\$ -	\$ (54,116)		

The accompanying notes are an integral part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 2,485	\$ 11,172	\$ 10,703	\$ 469
Current tax	1,004,433	994,640	916,901	77,739
Delinquent tax	3,030	4,371	5,130	(759)
Motor vehicle tax	32,496	32,201	34,878	(2,677)
Recreational vehicle tax	716	859	848	11
Reimbursements	-	22,527	-	22,527
Total cash receipts	1,043,160	1,065,770	\$ 968,460	\$ 97,310
Expenditures and transfers subject to legal maximum budget:				
Instruction	130,628	151,701	\$ 266,707	\$ 115,006
Operations and maintenance	520,688	494,498	686,325	191,827
Transfers to other funds	387,444	476,373	186,542	(289,831)
Total expenditures and transfers subject to legal maximum budget	1,038,760	1,122,572	\$ 1,139,574	\$ 17,002
Receipts over (under) expenditures	4,400	(56,802)		
Unencumbered cash, beginning of year	200,000	206,379		
Prior year canceled encumbrances	1,979	1,205		
Unencumbered cash, end of year	\$ 206,379	\$ 150,782		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

AT RISK (4 YEAR OLD) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
General fund	\$ 15,000	\$ 5,000	\$ 10,808	\$ (5,808)
Supplemental general fund	23,040	34,380	-	34,380
Total cash receipts	38,040	39,380	<u>\$ 10,808</u>	<u>\$ 28,572</u>
Expenditures:				
Instruction	24,897	24,380	<u>\$ 25,808</u>	<u>\$ 1,428</u>
Receipts over (under) expenditures	13,143	15,000		
Unencumbered cash, beginning of year	1,857	15,000		
Unencumbered cash, end of year	<u>\$ 15,000</u>	<u>\$ 30,000</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

AT RISK (K-12) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Other	\$ 163	\$ -	\$ -	\$ -
Transfers:				
General fund	246,000	243,000	255,098	(12,098)
Supplemental general fund	47,274	77,822	-	77,822
Total cash receipts	<u>293,437</u>	<u>320,822</u>	<u>\$ 255,098</u>	<u>\$ 65,724</u>
Expenditures:				
Instruction	175,502	179,928	\$ 216,913	\$ 36,985
Student support services	43,360	59,026	60,111	1,085
School administration	38,406	31,868	28,074	(3,794)
Total expenditures	<u>257,268</u>	<u>270,822</u>	<u>\$ 305,098</u>	<u>\$ 34,276</u>
Receipts over (under) expenditures	36,169	50,000		
Unencumbered cash, beginning of year	<u>13,831</u>	<u>50,000</u>		
Unencumbered cash, end of year	<u>\$ 50,000</u>	<u>\$ 100,000</u>		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

BILINGUAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Other	\$ -	\$ 1,097	\$ -	\$ 1,097
Transfers:				
General fund	10,000	-	-	-
Supplemental general fund	38,819	37,973	12,500	25,473
Total cash receipts	48,819	39,070	\$ 12,500	\$ 26,570
Expenditures:				
Instruction	33,725	21,570	\$ 32,500	\$ 10,930
Receipts over (under) expenditures	15,094	17,500		
Unencumbered cash, beginning of year	4,842	20,000		
Prior year canceled encumbrances	64	-		
Unencumbered cash, end of year	\$ 20,000	\$ 37,500		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 181	\$ 2,901	\$ 2,807	\$ 94
Current tax	260,781	269,307	248,246	21,061
Delinquent tax	861	1,254	1,332	(78)
Motor vehicle tax	9,044	8,585	9,276	(691)
Recreational vehicle tax	122	228	225	3
Other	56,849	1,199	-	1,199
Transfers:				
General fund	49,475	-	-	-
Total cash receipts	<u>377,313</u>	<u>283,474</u>	<u>\$ 261,886</u>	<u>\$ 21,588</u>
Expenditures:				
Instruction	176,180	197,834	\$ 220,000	\$ 22,166
Student support services	-	-	25,000	25,000
Operations and maintenance	-	425	50,000	49,575
Student transportation services	77,847	77,846	81,770	3,924
Facility acquisition and construction service	21,896	55,970	130,450	74,480
Total expenditures	<u>275,923</u>	<u>332,075</u>	<u>\$ 507,220</u>	<u>\$ 175,145</u>
Receipts over (under) expenditures	101,390	(48,601)		
Unencumbered cash, beginning of year	<u>143,944</u>	<u>245,334</u>		
Unencumbered cash, end of year	<u>\$ 245,334</u>	<u>\$ 196,733</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 450	\$ 1,628	\$ 1,400	\$ 228
Other	1,695	750	500	250
Transfers:				
Supplemental general fund	4,654	7,749	-	7,749
Total cash receipts	6,799	10,127	\$ 1,900	\$ 8,227
Expenditures:				
Instruction	2,382	5,740	\$ 8,400	\$ 2,660
Vehicle operating maintenance	96	387	1,500	1,113
Total expenditures	2,478	6,127	\$ 9,900	\$ 3,773
Receipts over (under) expenditures	4,321	4,000		
Unencumbered cash, beginning of year	3,679	8,000		
Unencumbered cash, end of year	\$ 8,000	\$ 12,000		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 104,864	\$ 100,853	\$ 101,407	\$ (554)
State aid	2,741	2,576	2,154	422
Charges for services	99,882	102,071	108,980	(6,909)
Other	185	233	-	233
Transfers:				
General fund	6,004	44,000	83,177	(39,177)
Supplemental general fund	76,038	39,741	-	39,741
Total cash receipts	<u>289,714</u>	<u>289,474</u>	<u>\$ 295,718</u>	<u>\$ (6,244)</u>
Expenditures:				
Operations and maintenance	8,000	8,000	\$ 8,000	\$ -
Food service operations	<u>266,622</u>	<u>281,474</u>	<u>327,718</u>	<u>46,244</u>
Total expenditures	<u>274,622</u>	<u>289,474</u>	<u>\$ 335,718</u>	<u>\$ 46,244</u>
Receipts over (under) expenditures	15,092	-		
Unencumbered cash, beginning of year	<u>24,908</u>	<u>40,000</u>		
Unencumbered cash, end of year	<u>\$ 40,000</u>	<u>\$ 40,000</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

PROFESSIONAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 1,530	\$ -	\$ -	\$ -
Transfers:				
General fund	4,000	-	-	-
Supplemental general fund	16,253	20,262	7,000	13,262
Total cash receipts	21,783	20,262	\$ 7,000	\$ 13,262
Expenditures:				
Instructional support staff	13,207	8,262	\$ 17,000	\$ 8,738
Receipts over (under) expenditures	8,576	12,000		
Unencumbered cash, beginning of year	1,424	10,000		
Unencumbered cash, end of year	\$ 10,000	\$ 22,000		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Interest	\$ 2,556	\$ 2,506	\$ 2,500	\$ 6
Other	-	1,377	-	1,377
Transfers:				
General fund	315,996	335,361	356,563	(21,202)
Supplemental general fund	160,238	158,933	92,042	66,891
Total cash receipts	478,790	498,177	\$ 451,105	\$ 47,072
Expenditures:				
Instruction	463,173	483,176	\$ 622,734	\$ 139,558
Vehicle operating service	15,488	15,130	18,500	3,370
Total expenditures	478,661	498,306	\$ 641,234	\$ 142,928
Receipts over (under) expenditures	129	(129)		
Unencumbered cash, beginning of year	190,000	190,129		
Unencumbered cash, end of year	\$ 190,129	\$ 190,000		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Miscellaneous	\$ 359	\$ 6,920	\$ 10,000	\$ (3,080)
Transfers:				
General fund	87,895	9,000	10,000	(1,000)
Supplemental general fund	21,129	85,532	15,000	70,532
Total cash receipts	109,383	101,452	<u>\$ 35,000</u>	<u>\$ 66,452</u>
Expenditures:				
Instruction	74,008	66,452	<u>\$ 85,000</u>	<u>\$ 18,548</u>
Receipts over (under) expenditures	35,375	35,000		
Unencumbered cash, beginning of year	14,625	50,000		
Unencumbered cash, end of year	<u>\$ 50,000</u>	<u>\$ 85,000</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
State aid	\$ 208,572	\$ 184,774	\$ 246,115	\$ (61,341)
Expenditures:				
Instruction	131,714	123,800	\$ 152,788	\$ 28,988
Student support services	8,155	6,836	9,982	3,146
Instructional support staff	7,675	7,206	8,516	1,310
General administration	10,095	7,760	12,075	4,315
School administration	11,117	9,423	13,987	4,564
Other supplemental services	7,842	4,804	9,963	5,159
Operations and maintenance	16,623	11,826	18,952	7,126
Student transportation services	7,300	7,021	9,568	2,547
Food service	8,051	6,098	10,284	4,186
Total expenditures	208,572	184,774	\$ 246,115	\$ 61,341
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

RECREATION COMMISSION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 327	\$ 725	\$ 629	\$ 96
Current tax	65,266	53,873	49,670	4,203
Delinquent tax	199	298	334	(36)
Motor vehicle tax	2,748	1,560	1,744	(184)
Recreational vehicle tax	57	43	42	1
Total cash receipts	68,597	56,499	<u>\$ 52,419</u>	<u>\$ 4,080</u>
Expenditures:				
Transfer to component unit	66,932	60,000	<u>\$ 60,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	1,665	(3,501)		
Unencumbered cash, beginning of year	54,744	56,409		
Unencumbered cash, end of year	<u>\$ 56,409</u>	<u>\$ 52,908</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 324	\$ 3,946	\$ 3,871	\$ 75
Current tax	354,673	351,406	323,926	27,480
Delinquent tax	1,239	1,770	1,812	(42)
Motor vehicle tax	12,626	12,130	13,053	(923)
Recreational vehicle tax	277	321	318	3
Total cash receipts	<u>369,139</u>	<u>369,573</u>	<u>\$ 342,980</u>	<u>\$ 26,593</u>
Expenditures:				
Debt service:				
Principal	170,000	180,000	\$ 180,000	\$ -
Interest	190,133	182,257	182,258	1
Commission and postage	30	30	2,500	2,470
Total expenditures	<u>360,163</u>	<u>362,287</u>	<u>\$ 364,758</u>	<u>\$ 2,471</u>
Receipts over (under) expenditures	8,976	7,286		
Unencumbered cash, beginning of year	<u>412,968</u>	<u>421,944</u>		
Unencumbered cash, end of year	<u>\$ 421,944</u>	<u>\$ 429,230</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

**MEADE DISTRICT RECREATION COMMISSION
MEADE, KANSAS**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2011			
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from Unified School District No. 226	\$ 66,932	\$ 60,000	\$ 70,000	\$ (10,000)
Fees	510	-	-	-
Interest	1,507	2,236	2,000	236
Other	2,953	-	-	-
Total cash receipts	71,902	62,236	\$ 72,000	\$ (9,764)
Expenditures and encumbrances:				
Printing/advertising	79	169	\$ 250	\$ 81
Accounting	1,203	1,218	1,500	282
Payroll taxes	3,486	1,955	8,000	6,045
Administration	3,449	4,249	2,500	(1,749)
Insurance	4,832	5,798	5,000	(798)
Baseball activities and improvements	29,338	14,670	20,000	5,330
Basketball activities	5,347	2,984	5,000	2,016
Golf activities	1,500	2,000	2,000	-
Football	7,555	4,054	7,500	3,446
Repairs and maintenance	7,409	3,648	7,500	3,852
Equipment, building and improvements	-	9,737	15,000	5,263
Swimming activities	2,209	2,269	3,500	1,231
Tennis	1,584	500	1,000	500
Trapshooting club	1,000	500	1,000	500
Other activities	8,156	5,580	7,000	1,420
Miscellaneous	270	535	600	65
Total expenditures	77,417	59,866	\$ 87,350	\$ 27,484
Receipts over (under) expenditures	(5,515)	2,370		
Unencumbered cash, beginning of year	66,055	175,018		
Residual equity transfer in	114,478	-		
Unencumbered cash, end of year	\$ 175,018	\$ 177,388		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED SPECIAL REVENUE FUNDS

Year ended June 30, 2011

	<u>Contingency reserve</u>	<u>Textbook and student materials revolving</u>	<u>REAP</u>	<u>Title I</u>
Cash receipts:				
Fees	\$ -	2,500	\$ -	\$ -
Federal aid	-	-	40,061	62,949
Interest	-	-	-	-
Transfer from general fund	97,029	5,019	-	-
Transfer from supplemental general fund	<u>-</u>	<u>13,981</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>97,029</u>	<u>21,500</u>	<u>40,061</u>	<u>62,949</u>
Expenditures:				
Instruction	74,704	20,018	40,061	62,949
General administration	-	-	-	-
Other supplemental service	5,979	-	-	-
Operations and maintenance	15,232	-	-	-
Student transportation services	4,250	-	-	-
Food service operation	7,864	-	-	-
Scholarships	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>108,029</u>	<u>20,018</u>	<u>40,061</u>	<u>62,949</u>
Receipts over (under) expenditures	(11,000)	1,482	-	-
Unencumbered cash, beginning of year	<u>351,000</u>	<u>1,159</u>	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 340,000</u>	<u>\$ 2,641</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral
part of the financial statements.

<u>Title IIA</u>	<u>Title IID</u>	<u>Title I ARRA</u>	<u>Roy and Laura Whitehead scholarship</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,500
15,006	213	16,500	-	134,729
-	-	-	36,876	36,876
-	-	-	-	102,048
-	-	-	-	13,981
<u>15,006</u>	<u>213</u>	<u>16,500</u>	<u>36,876</u>	<u>290,134</u>
15,006	213	16,500	-	229,451
-	-	-	3,359	3,359
-	-	-	-	5,979
-	-	-	-	15,232
-	-	-	-	4,250
-	-	-	-	7,864
-	-	-	36,280	36,280
<u>15,006</u>	<u>213</u>	<u>16,500</u>	<u>39,639</u>	<u>302,415</u>
-	-	-	(2,763)	(12,281)
-	-	-	2,150,307	2,502,466
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,147,544</u>	<u>\$ 2,490,185</u>

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

DISTRICT ACTIVITY FUNDS

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2011

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
High school:						
Athletics	\$ 4,373	\$ 28,790	\$ 26,288	\$ 6,875	\$ -	\$ 6,875
Sports special	308	1,418	1,726	-	-	-
School play	410	3,681	1,246	2,845	-	2,845
Forensics	116	431	376	171	-	171
Elementary school:						
Athletics	2,688	10,490	11,158	2,020	-	2,020
Subtotal gate receipts	7,895	44,810	40,794	11,911	-	11,911
School projects:						
High school:						
Library	330	285	300	315	-	315
Band	1,333	22	440	915	-	915
Drivers education	6	42	42	6	-	6
Audio visual	54	-	54	-	-	-
Special projects	51	2,074	2,107	18	-	18
Science	261	484	518	227	-	227
Weightlifting	1,522	170	447	1,245	-	1,245
Yearbook	-	1,890	1,890	-	-	-
Wood shop	6,164	18,956	23,409	1,711	-	1,711
Vocational	-	8,324	8,324	-	-	-
Buff Bank	538	52	47	543	-	543
Elementary school:						
Memory book	4,340	1,742	2,908	3,174	-	3,174
Music	1,244	191	441	994	-	994
Library	195	6,373	6,173	395	-	395
Special projects	4,169	7,018	7,010	4,177	-	4,177
Subtotal school projects	20,207	47,623	54,110	13,720	-	13,720
Total district activity funds	\$ 28,102	\$ 92,433	\$ 94,904	\$ 25,631	\$ -	\$ 25,631

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2011

Fund	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student organization funds:				
High school:				
Cheerleaders	\$ 1,061	\$ 5,631	\$ 4,809	\$ 1,883
Basketball	1,180	1,056	1,291	945
Basketball - girls	453	525	599	379
SWKS Classic BB	432	-	-	432
Volleyball	200	1,355	1,493	62
Football	2,091	16,231	16,597	1,725
Cross country	239	-	-	239
Tennis - girls	154	370	510	14
Tennis - boys	28	-	-	28
Golf	254	1,351	1,162	443
Class of 2011	1,386	72	1,275	183
Class of 2012	4,081	3,852	6,343	1,590
Class of 2013	1,275	7,501	3,169	5,607
Class of 2014	-	1,679	237	1,442
Class of 2007	99	-	99	-
Class of 2008	320	-	320	-
Class of 2009	499	-	499	-
Class of 2010	172	-	172	-
International	288	-	-	288
Kayettes	1,574	4,062	4,083	1,553
Key club	884	712	882	714
M club	558	352	902	8
Student council	312	1,805	1,651	466
FBLA	258	200	190	268
Skills USA	(1,232)	8,368	6,896	240
Madrigals	488	100	-	588
National honor society	149	213	362	-
Official initials	588	150	665	73
Art	110	299	23	386
Service learning	13	288	301	-
Concessions	-	20,682	19,742	940
Subtotal high school	17,914	76,854	74,272	20,496
Elementary school:				
Cheerleaders	1,176	4,495	4,884	787
Pep club	168	450	28	590
Junior high	2,337	4,979	6,229	1,087
Subtotal elementary school	3,681	9,924	11,141	2,464
Subtotal student organization funds	21,595	86,778	85,413	22,960
Clearing fund:				
Health/life insurance	-	142,527	142,527	-
Total agency funds	\$ 21,595	\$ 229,305	\$ 227,940	\$ 22,960

The accompanying notes are an integral part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Reporting entity

U.S.D. No. 226 Meade, Kansas is a municipal corporation governed by an elected seven-member board. These financial statements present U.S.D. No. 226 Meade, Kansas (the primary government) and its component unit. The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

Discretely Presented Component Unit. The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District.

Meade Recreation Commission: The Commission oversees recreational activities. Two of the five members of the governing board of the Recreation Commission are appointed by the Board of Education, two by the City Council, with one at large member. The Recreation Commission operates as a separate governing body but the District levies the taxes for the Recreation Commission and the Recreation Commission has only the powers granted by statute, K.S.A. 12-1928. The Recreation Commission cannot purchase real property but can acquire real property by gift.

Complete financial statements of the Meade Recreation Commission may be obtained as follows:

Meade Recreation Commission
P.O. Box 634
Meade, Kansas 67864

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the District for the fiscal year ending June 30, 2011.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

GOVERNMENTAL FUNDS

General Funds

General funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other funds and finance a wider range of activities.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulation.

Debt Service Fund

The debt service fund is used to account for the financing of long-term debt that is not otherwise financed from other revenue.

FIDUCIARY FUNDS

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations and other governmental units.

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and expenditure is charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting (continued)

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general funds, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

Budgets were amended for the year ended June 30, 2011 for the following fund:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
KPERS	\$ 229,429	\$ 246,115

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, agency funds, and the following special revenue funds:

- Contingency reserve
- Textbook and student materials revolving
- REAP
- Title I
- Title IIA
- Title IID
- Title I – ARRA
- District activity
- Roy and Laura Whitehead Scholarship

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's investments. Unless specifically designated, all investment income is credited to funds designated by K.S.A. 72-6427. Investments are recorded at cost.

6. Ad valorem tax revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20, and the second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of all pension costs accrued; such costs to be funded are determined annually.

8. Compensated absences

The District's policies regarding vacation permit an annual vacation of two weeks with pay to those employees assigned to twelve-month positions. The Superintendent is entitled to an annual vacation of one month. Policies prohibit payment for vacation time in lieu of time off. Sick leave for all employees may be accumulated at the rate of ten days per year up to a total accumulation of sixty days. An amount is paid in August to teachers for any accumulation beyond sixty days at \$30 per day. In the event of death, resignation, or termination of employment for all employees, unused vacation time and accumulated sick leave are lost. Upon retirement after at least twenty years of employment by the District, a teacher may be reimbursed for up to thirty days of the teacher's accumulated and unused sick leave at a rate of \$30 per day. The District does not accrue compensated absences as the amounts thereof are not material in relationship to the financial statements taken as a whole. The District's policy is to recognize the costs of compensated absences when paid.

9. Section 125 plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is used for health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

10. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

11. Other post employment benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports, the State Department of Education and interpretation by the legal representatives of the District.

The cash basis law provided by K.S.A. 10-1113 prohibits the expenditures of funds in excess of available cash. The General Fund showed ending unencumbered cash deficit of \$54,116, as of June 30, 2011. This was a result of the State of Kansas not making its final payment until after the end of the fiscal year. The District was instructed by the State to expend the authorized budget for the year and the balance of the monies due to the District from the State of Kansas was received after the end of the fiscal year. K.S.A. 10-1116a exempts school districts from the cash basis law in this situation.

K.S.A. 72-6417 and K.S.A. 72-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as a receipt for the school year ending on the preceding June 30. The following schedule demonstrates compliance with these statutes:

B. COMPLIANCE WITH KANSAS LAW (CONTINUED)

GENERAL FUND

STATEMENT OF STATUTORY RECEIPTS, EXPENDITURES
AND BALANCES

Year ended June 30, 2011

	Statutory amounts	Budget	Variance favorable (unfavorable)
Statutory receipts:			
Taxes:			
Ad valorem property:			
Tax in process	\$ 12,069	\$ 10,511	\$ 1,558
Current tax	1,041,433	957,433	84,000
Delinquent tax	4,264	6,465	(2,201)
Federal aid:			
ARRA stabilization funds	64,156	64,156	-
Education jobs funds	112,336	-	112,336
State aid:			
Equalization aid	1,806,325	2,153,860	(347,535)
Special education aid	335,361	353,381	(18,020)
Mineral production tax	24,443	-	24,443
Total statutory receipts	<u>3,400,387</u>	<u>\$ 3,545,806</u>	<u>\$ (145,419)</u>
Expenditures and transfers subject to legal maximum budget:			
Instruction	1,845,815	\$ 1,870,922	\$ 25,107
Student support services	64,372	66,872	2,500
Instructional support staff	121,224	127,537	6,313
General administration	203,781	266,615	62,834
School administration	128,002	139,951	11,949
Operations and maintenance	1,723	7,000	5,277
Student transportation services	182,606	232,468	49,862
Other support services	114,455	118,795	4,340
Transfers to other funds	738,409	715,646	(22,763)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>(145,419)</u>	<u>(145,419)</u>
Total expenditures and transfers subject to legal maximum budget	<u>3,400,387</u>	<u>\$ 3,400,387</u>	<u>\$ -</u>
Statutory receipts over (under) expenditures	-		
Statutory balance, beginning of year	<u>-</u>		
Statutory balance, end of year	<u>\$ -</u>		

C. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds to have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not have a designated "peak period".

At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$3,846,686 and the bank balance was \$4,126,284. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$274,125 was covered by FDIC insurance and \$3,852,159 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

D. LONG-TERM DEBT

Changes in long-term liabilities for the entity for the year ended June 30, 2011, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
School building bonds - Series 2004					
Issued December 1, 2004					
In the amount of \$4,998,000					
At interest rates of 3.60% to 4.50%					
Maturing September 1, 2025	\$4,530,000	\$ -	\$ 180,000	\$4,350,000	\$ 182,257
Capital leases:					
Chiller equipment					
Issued April 14, 2009					
In the amount of \$150,000					
At interest rate of 3.35%					
Maturing June 1, 2012	50,203	-	50,203	-	1,681
Three buses					
Issued June 15, 2009					
In the amount of \$225,600					
At interest rate of 3.562%					
Maturing July 2011	75,169	-	75,169	-	2,677

D. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
CNC router Issued June 18, 2010 In the amount of \$50,000 At interest rate of 4.50% Maturing July 15, 2015	\$ 39,159	\$ -	\$ 9,153	\$ 30,006	\$ 1,762
Boiler Issued May 11, 2010 In the amount of \$185,000 At interest rate of 3.75% Maturing June 15, 2013	185,000	-	58,975	126,025	7,603
Termination benefits: Early retirement payable	<u>41,530</u>	<u>-</u>	<u>13,790</u>	<u>27,740</u>	<u>-</u>
Total long-term debt	<u>\$4,921,061</u>	<u>\$ -</u>	<u>\$ 387,290</u>	<u>\$4,533,771</u>	<u>\$ 195,980</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 190,000	\$ 173,932	\$ 363,932
2013	205,000	165,301	370,301
2014	215,000	156,645	371,645
2015	225,000	147,845	372,845
2016	240,000	139,025	379,025
2017-2021	1,425,000	543,070	1,968,070
2022-2026	<u>1,850,000</u>	<u>208,910</u>	<u>2,058,910</u>
Total	<u>\$ 4,350,000</u>	<u>\$ 1,534,728</u>	<u>\$ 5,884,728</u>

Current maturities of capital leases and interest through maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 71,417	\$ 6,076	\$ 77,493
2013	74,167	3,326	77,493
2014	10,446	471	10,917
2015	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 156,031</u>	<u>\$ 9,873</u>	<u>\$ 165,904</u>

Legal debt limit. K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$4,350,000 of bonds outstanding which is 6.54% of the assessed valuation.

E. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603-3803), at the following website: <http://www.kpers.gov> or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 and 74-49,210 establish the KPERS member-employee contribution rates at 4% and 6%, respectively of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.17% of the covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$184,774, \$208,572 and \$202,949 respectively. The contribution for the year ended June 30, 2011 does not reflect the amount required for the entire year.

F. OPERATING LEASES

The District has entered into five operating lease agreements for six copy machines and one for lease of a postage meter. The following is a yearly schedule of future minimum rental payments under the operating leases:

2012	\$ 21,094
2012	19,699
2013	19,593
2014	17,562
2015	<u>1,458</u>
	<u>\$ 79,406</u>

Annual lease payments for the year ended June 30, 2011 were \$24,319.

G. INTERFUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. These transfers, authorized by K.S.A.'s 72-6428 and 72-6433 and the bond ordinance are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General fund	Food service fund	\$ 44,000
General fund	Special education fund	335,361
General fund	Vocational education fund	9,000
General fund	Contingency reserve fund	97,029
General fund	Textbook and student materials revolving fund	5,019
General fund	At risk (4 year old) fund	5,000
General fund	At risk (K-12) fund	243,000

G. INTERFUND TRANSACTIONS (CONTINUED)

<u>From</u>	<u>To</u>	<u>Amount</u>
Supplemental general fund	Bilingual fund	\$ 37,973
Supplemental general fund	Driver training fund	7,749
Supplemental general fund	Food service fund	39,741
Supplemental general fund	Professional development fund	20,262
Supplemental general fund	Special education fund	158,933
Supplemental general fund	Vocational education fund	85,532
Supplemental general fund	Textbook and student materials revolving fund	13,981
Supplemental general fund	At risk (4 year old) fund	34,380
Supplemental general fund	At risk (K-12) fund	77,822
		<u>\$1,214,782</u>

Transfers to component units as authorized by K.S.A. 12-1928 were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Recreation commission fund	Meade District Recreation Commission	\$ 60,000

H. CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2011.

I. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

Workers' Compensation Coverage. The District is a member of the Kansas Association of School Boards (KASB) Workers Compensation Fund, Inc. which is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to KASB for coverage. The contract provides that the plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000.

J. TERMINATION BENEFITS

The District offers a voluntary early retirement plan to employees electing to participate. Qualifying personnel must be not less than 61 years and not more than 64 years old, have at least 15 years of service with the District, and must be fully vested in KPERs. The annual rate of retirement compensation is twenty percent (20%) of the District's base salary. Benefits end after five years. All benefits terminate when the participant reaches age 65. Payments to retired employees under this plan were \$13,790 for the year ended June 30, 2011.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2011, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.